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GENERAL**1. USSR attempting to use POW issue to undermine Adenauer:**

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The Soviet Union is reported to have offered to repatriate 40,000 West German prisoners of war if negotiations could be undertaken, on the German side, by members of the Social Democratic Party and the Free Democratic Party. The offer was made through a West German businessman who had raised the question with Soviet officials at East-West trade talks last year. Chancellor Adenauer has been informed through Free Democratic Party leaders.

The Soviet officials emphasized that Moscow wanted Adenauer's opposition to receive credit for the negotiations and flatly rejected talks with representatives of his Christian Democratic Party. HICOG believes Moscow is hoping to use the POW issue to delay ratification of the Paris agreements as well as to sow dissension among the political parties by enhancing Socialist prestige at the expense of the Christian Democrats.

Comment: This Soviet attempt to undermine the Adenauer government is not likely to be successful. The West Germans are likely to give much more credit to the individuals involved in the negotiations than to the party. Adenauer would run the risk of serious public disapproval, however, if he should attempt to interfere with such an opportunity to repatriate imprisoned Germans.

Moscow for years has insisted it held only 13,500 POW's and has recently said a majority of these were returned in 1953. The 40,000 figure--if accurate--may include many civilians. German officials believe it is impossible to estimate the number still held.

2. Soviet harassments in Austria expected to increase:

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The American embassy in Vienna expects increasing Soviet harassment of the Austrians. It believes, however, that the USSR is unlikely to take actual moves toward partition,

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even immediately after ratification of the Paris accords, because the resulting international crisis would conflict with over-all Soviet policy. The Soviet Union appears to be laying the groundwork for dramatic moves which would give the impression of an intention to partition Austria if the accords are ratified.

To this end, Soviet authorities have set up facilities for check points around Vienna, and may reimpose the zonal border controls and check points abandoned in June 1953, even to the extent of interfering with freight traffic. They may also increase their interference with the Austrian police.

The embassy expects the Soviet propaganda campaign to reach a new pitch of intensity in coming weeks, further emphasizing the Soviet threat first made at the Allied Council meeting on 21 December concerning the "danger to the integrity of the Austrian state" from American actions in western Austria. Communist propaganda on the threat to Austrian unity has been highlighted by a Communist-front call for a congress in Vienna on 13 March dedicated to Austrian "unity and independence."

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SOVIET UNION

4. USSR offers to "report" on its atomic power station:

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[Redacted]

The USSR has offered to submit a "report" to the forthcoming world conference on peaceful uses of atomic energy on the knowledge it has gained from the atomic power station it put into operation last summer, according to a TASS announcement. The Soviet representative, D. V. Skobeltsyn, has been instructed to present a proposal for the inclusion of this item on the agenda of the conference.

Comment: Moscow may hope through this announcement to regain the propaganda initiative it lost last fall when the UN supported the American "atoms-for-peace" plan.

The conference of scientists which will discuss peaceful uses of atomic energy is scheduled to meet in August. Moscow's move suggests that the Soviet delegation may introduce its own plan for "atoms for peace," which--unlike the US plan--would be subject to the Security Council veto and would include the participation of Communist China.

D. V. Skobeltsyn, scheduled to arrive in the United States on 15 January to prepare for the August conference, is a prominent atomic physicist and served as adviser to the Soviet delegation to the UN Commission on Atomic Energy from 1945 to 1949. [Redacted]

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WESTERN EUROPE

8. Luxembourg fearful of French-West German economic agreement:

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[REDACTED] Luxembourg foreign minister Bech fears that West German chancellor Adenauer and French premier Mendes-France may reach an economic agreement which would have adverse effects on the Benelux countries, according to the Belgian minister in Luxembourg. Bech has repeatedly urged Belgian foreign minister Spaak to discourage the Germans from making final agreements with the French without consulting the Benelux countries.

The Belgian diplomat said that West Germany had asked his country, Luxembourg, and presumably the Netherlands to make a demarche to France to permit Benelux representatives to sit in on the final economic discussions resulting from the 14 January meeting of Adenauer and Mendes-France.

Comment: Belgian industrial circles fear adverse effects from the French-German economic collaboration which is already evident in the metallurgical field. They also suspect that the French proposal for an arms production pool is aimed at establishing armament industries in the south of France and in North Africa to the exclusion of the Benelux countries.

The Netherlands has likewise expressed strong opposition to the French arms pool proposal, negotiations on which are scheduled to start on 17 January.

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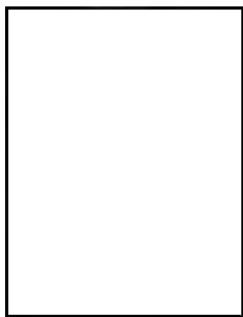
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10. Comment on ouster of Panamanian president Guizado:

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Panamanian president Guizado was ousted early on 15 January. He had been implicated in the 2 January assassination of President Remon [redacted]

[redacted] Guizado earlier in the day was confined to his residence by the National Guard, which announced that a

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[redacted]

solution to the murder was near. Also arrested were Guizado's son, one of his business associates, his minister of agriculture and commerce, and many followers of former president Arnulfo Arias.

Guizado's removal because of implication in the crime would not necessarily involve a break in the constitutional order. Ricardo Arias, vice president and foreign minister, would legally become president.

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[redacted]

Colonel Saturnino Flores, second commandant of the National Guard, is apparently assuming control of the situation and is emerging as the "strong man" of Panama.